

Account Number and Account Title	Total	
Test Year	(157)	
Prior Year	0	
Increase/(Decrease)	(157)	#DIV/0!
9220001 Admin Exp Trnsf to Cnstrction		
Test Year	(332)	
Prior Year	(214)	
Increase/(Decrease)	(118)	55%
9220002 Admin Exp Trnsf Const-Mngerial		
Test Year	0	
Prior Year	0	
Increase/(Decrease)	0	#DIV/0!
9220003 Admin Exp Trnsf Non-Utlty Acct		
Test Year	0	
Prior Year	0	
Increase/(Decrease)	0	#DIV/0!
9220004 Admin Exp Trnsf to ABD		
Test Year	(26)	
Prior Year	(45)	
Increase/(Decrease)	19	-42%
9220125 SLA Expense Transfers GS		
Test Year	(214)	
Prior Year	0	
Increase/(Decrease)	(214)	#DIV/0!
9220127 SLA Expense Transfers IT		
Test Year	0	
Prior Year	0	
Increase/(Decrease)	0	#DIV/0!
0001 Outside Svcs Empl - Nonassoc		
Test Year	2,722	
Prior Year	1,628	
Increase/(Decrease)	1,094	67%
9230003 AEPSC Billed to Client Co		
Test Year	4,085	
Prior Year	2,840	
Increase/(Decrease)	1,245	44%
9240000 Property Insurance		
Test Year	314	
Prior Year	321	
Increase/(Decrease)	(7)	-2%
9250000 Injuries and Damages		
Test Year	968	
Prior Year	631	
Increase/(Decrease)	337	53%
9250001 Safety Dinners and Awards		
Test Year	0	
Prior Year	0	
Increase/(Decrease)	0	#DIV/0!
9250002 Emp Accdent Prvntion-Adm Exp		
Test Year	27	
Prior Year	21	
Increase/(Decrease)	6	29%
9250003 Emp Accdnt Prvntion-Exp Trnsf		
Test Year	0	
Prior Year	0	
Increase/(Decrease)	0	#DIV/0!
J004 Injuries to Employees		
Test Year	1	
Prior Year	0	
Increase/(Decrease)	1	#DIV/0!
9250006 Wrkrs Cmpnsth Pre&Sif Ins Prv		
Test Year	115	

Reasons for the Change in the Account

Increased legal fees associated with the USEPA Air Enforcement initiative and increased fees associated with audits and sarbanes Oxley audits

The test year reflects a full year of the new SEC allocation factors

Account Number and Account Title	Total	
Prior Year	128	
Increase/(Decrease)	(13)	-10%
9250007 Prsnal Injries&Prop Dmage-Pub		
Test Year	9	
Prior Year	51	
Increase/(Decrease)	(42)	-82%
9260000 Employee Pensions & Benefits		
Test Year	11	
Prior Year	7	
Increase/(Decrease)	4	57%
9260001 Edit & Print Empl Pub-Salaries		
Test Year	21	
Prior Year	15	
Increase/(Decrease)	6	40%
9260002 Pension & Group Ins Admin		
Test Year	31	
Prior Year	36	
Increase/(Decrease)	(5)	-14%
9260003 Pension Plan		
Test Year	1,020	
Prior Year	(14)	
Increase/(Decrease)	1,034	-7386%
9260004 Group Life Insurance Premiums		
Test Year	95	
Prior Year	128	
Increase/(Decrease)	(33)	-26%
9260005 Group Medical Ins Premiums		
Test Year	3,119	
Prior Year	2,887	
Increase/(Decrease)	232	8%
9260006 Physical Examinations		
Test Year	2	
Prior Year	2	
Increase/(Decrease)	0	0%
9260007 Group L-T Disability Ins Prem		
Test Year	119	
Prior Year	227	
Increase/(Decrease)	(108)	-48%
9260009 Group Dental Insurance Prem		
Test Year	185	
Prior Year	197	
Increase/(Decrease)	(12)	-6%
9260010 Training Administration Exp		
Test Year	0	
Prior Year	7	
Increase/(Decrease)	(7)	-100%
9260012 Employee Activities		
Test Year	0	
Prior Year	6	
Increase/(Decrease)	(6)	-100%
9260014 Educational Assistance Pmts		
Test Year	7	
Prior Year	9	
Increase/(Decrease)	(2)	-22%
9260019 Employee Benefit Exp - COLI		
Test Year	4	
Prior Year	(69)	

Reasons for the Change in the Account

The increase is mainly caused by the amortization of prior investment actuarial losses that had been deferred under FAS 87. Pension cost was negative following high investment returns during the 1990s and swung back to the normal expense position recently following lower than normal returns in 2000 through 2002, all delayed by the normal five-year smoothing (deferral and amortization) of investment returns under FAS 87.

Account Number and Account Title	Total	
Increase/(Decrease)	73	-106%
9260021 Postretirement Benefits - OPEB		
Test Year	3,394	
Prior Year	3,847	
Increase/(Decrease)	(453)	-12%
9260027 Savings Plan Contributions		
Test Year	1,110	
Prior Year	994	
Increase/(Decrease)	116	12%
9260036 Deferred Compensation		
Test Year	(25)	
Prior Year	22	
Increase/(Decrease)	(47)	-214%
9260037 Supplemental Pension		
Test Year	17	
Prior Year	24	
Increase/(Decrease)	(7)	-29%
9260040 SFAS 112 Postemployment Benef		
Test Year	(46)	
Prior Year	45	
Increase/(Decrease)	(91)	-202%
9260050 Frg Ben Loading - Pension		
Test Year	(375)	
Prior Year	124	
Increase/(Decrease)	(499)	-402%
9260051 Frg Ben Loading - Grp Ins		
Year	(1,507)	
Year	(1,323)	
Increase/(Decrease)	(184)	14%
9260052 Frg Ben Loading - Savings		
Test Year	(419)	
Prior Year	(331)	
Increase/(Decrease)	(88)	27%
9260053 Frg Ben Loading - OPEB		
Test Year	(1,356)	
Prior Year	(1,489)	
Increase/(Decrease)	133	-9%
9260055 IntercoFringeOffset- Don't Use		
Test Year	(1,041)	
Prior Year	(1,002)	
Increase/(Decrease)	(39)	4%
9260056 Fidelity Stock Option Admin		
Test Year	0	
Prior Year	0	
Increase/(Decrease)	0	#DIV/0!
9260057 Postret Ben Medicare Subsidy		
Test Year	(844)	
Prior Year	(242)	
Increase/(Decrease)	(602)	249%
9270000 Franchise Requirements		
Year	136	
Prior Year	150	
Increase/(Decrease)	(14)	-9%
9280001 Regulatory Commission Exp-Adm		
Test Year	29	
Prior Year	329	
Increase/(Decrease)	(300)	-91%

Reasons for the Change in the Account

Since the Medicare subsidy is a new item that was first recorded in June 2004, retroactive to January 2004, the test year includes twelve months of the Medicare subsidy, whereas the prior year includes only six months. In addition, in May 2005 the Company began to record a larger amount for the Medicare subsidy based on an updated computation following the issuance of final government regulations for the subsidy.

Account Number and Account Title		Total	
9280002	Regulatory Commission Exp-Case		
	Test Year	2	
	Prior Year	0	
	Increase/(Decrease)	2	#DIV/0!
9301000	General Advertising Expenses		
	Test Year	15	
	Prior Year	60	
	Increase/(Decrease)	(45)	-75%
9301001	Newspaper Advertising Space		
	Test Year	19	
	Prior Year	0	
	Increase/(Decrease)	19	#DIV/0!
9301002	Radio Station Advertising Time		
	Test Year	0	
	Prior Year	0	
	Increase/(Decrease)	0	#DIV/0!
9301003	TV Station Advertising Time		
	Test Year	0	
	Prior Year	1	
	Increase/(Decrease)	(1)	-100%
9301004	Newspaper Advertising Prod Exp		
	Test Year	0	
	Prior Year	0	
	Increase/(Decrease)	0	#DIV/0!
9301005	Radio &TV Advertising Prod Exp		
	Test Year	0	
	- Year	0	
	ae/(Decrease)	0	#DIV/0!
9301006	Spec Corporate Comm Info Proj		
	Test Year	1	
	Prior Year	0	
	Increase/(Decrease)	1	#DIV/0!
9301008	Direct Mail and Handouts		
	Test Year	0	
	Prior Year	0	
	Increase/(Decrease)	0	#DIV/0!
9301009	Fairs, Shows, and Exhibits		
	Test Year	1	
	Prior Year	12	
	Increase/(Decrease)	(11)	-92%
9301010	Publicity		
	Test Year	15	
	Prior Year	5	
	Increase/(Decrease)	10	200%
9301011	Dedications, Tours, & Openings		
	Test Year	0	
	Prior Year	0	
	Increase/(Decrease)	0	#DIV/0!
9301014	Video Communications		
	Test Year	0	
	Prior Year	0	
	Increase/(Decrease)	0	#DIV/0!
9301015	Other Corporate Comm Exp		
	Test Year	57	
	Prior Year	71	
	Increase/(Decrease)	(14)	-20%
92000	Misc General Expenses		
	Year	303	
	Prior Year	115	
	Increase/(Decrease)	188	163%
9302003	Corporate & Fiscal Expenses		
	Test Year	29	
	Prior Year	28	

Reasons for the Change in the Account

Account Number and Account Title	Total	
Increase/(Decrease)	1	4%
9302004 Research, Develop&Demonstr Exp		
Test Year	0	
Prior Year	0	
Increase/(Decrease)	0	#DIV/0!
9302007 Assoc Business Development Exp		
Test Year	1,644	
Prior Year	1,662	
Increase/(Decrease)	(18)	-1%
9310000 Rents		
Test Year	13	
Prior Year	15	
Increase/(Decrease)	(2)	-13%
9310001 Rents - Real Property		
Test Year	108	
Prior Year	103	
Increase/(Decrease)	5	5%
9310002 Rents - Personal Property		
Test Year	266	
Prior Year	290	
Increase/(Decrease)	(24)	-8%
9310003 Rents - Real Property - Assoc		
Test Year	507	
Prior Year	340	
Increase/(Decrease)	167	49%
9350000 Maintenance of General Plant		
Test Year	0	
Prior Year	25	
Increase/(Decrease)	(25)	-100%
9350001 Maint of Structures - Owned		
Test Year	455	
Prior Year	328	
Increase/(Decrease)	127	39%
9350002 Maint of Structures - Leased		
Test Year	204	
Prior Year	36	
Increase/(Decrease)	168	467%
9350009 Maint of Microwave Equipment		
Test Year	0	
Prior Year	0	
Increase/(Decrease)	0	#DIV/0!
9350012 Maint of Data Equipment		
Test Year	0	
Prior Year	15	
Increase/(Decrease)	(15)	-100%
9350013 Maint of Cmmncation Eq-Unall		
Test Year	1,019	
Prior Year	1,318	
Increase/(Decrease)	(299)	-23%
9350015 Maint of Office Furniture & Eq		
Test Year	3	
Prior Year	15	
Increase/(Decrease)	(12)	-80%
9350017 Maint of Misc General Property		
Test Year	0	
Prior Year	0	
Increase/(Decrease)	0	#DIV/0!
TOTAL OPERATING EXPENSES		
Test Year	427,382	
Prior Year	365,370	
Increase/(Decrease)	62,012	17%

Reasons for the Change in the Account

Kentucky Power Company

REQUEST

Kentucky Power has filed this application using the historic test period approach, with a 12-month test period ending June 30, 2005. Kentucky Power has proposed adjustments for reliability, pool capacity, and transmission revenues and expenses based on information and events that are expected to occur in calendar year 2006 and beyond. Given that several of Kentucky Power's proposed adjustments are based on information and events that are expected to occur in calendar year 2006 and beyond, explain in detail how Kentucky Power's proposals in this case are consistent with the matching principle. Under the matching principle, all revenues, expenses, rate base, plant additions, and capital items are updated to the same period.

RESPONSE

The Company believes it is following the matching principal and that the adjustments are known and measurable. Reliability expenses will be incurred during the same time period in which the revenue will be realized. Pool capacity expenses will be incurred also during the same time period the revenues will be realized. Transmission equalization revenues will be incurred during the same period and the revenues will be realized. The elimination of the through and out revenues is certain, any replacement of these revenues is unknown at this time. Also see the Company's response to Item No. 24.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Provide a discussion of any event that occurred prior to the date that the rate application was filed if the event is anticipated to have a material effect on net operating income, rate base, or capital structure and is not already reflected in the rate application.

RESPONSE

The Company does not anticipate that any event that occurred prior to the date the rate application was filed will have a material effect on net operating income, rate base, or capital structure not already reflected in the rate application.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST

As members of PJM Interconnection, LLC ("PJM"), are Kentucky Power and its utility affiliates obligated to offer for sale all available energy that is not scheduled to meet their combined internal, native, or firm load requirements?

RESPONSE

AEP is required by the PJM Operating Agreement (or PJM) to offer for sale all available generation to PJM. However, this does not mean Kentucky Power is precluded from negotiating off-system sales contracts. Indeed as it did prior to joining PJM, Kentucky Power continues to actively pursue such contracts.

Commercial Operations makes daily decisions that impact the level of off system sales the company achieves. Commercial Operations focuses on understanding the cost and revenue drivers associated with operating in the PJM market and aligns behaviors to minimize costs and maximize revenues.

For example, Commercial Operations supplements PJM's unit commitment process with its own analysis to determine when units should be committed for start-up and shut down. Included in the analysis is whether or not AEP needs a physical hedge, and the magnitude of that hedge, in the real-time market to hedge against the volatility of the real-time prices. Once a unit has been committed and is being dispatched in real-time, Commercial Operations has in place real-time monitoring of dispatch accuracy to ensure plants are performing as requested and our dispatchers are optimizing the value from the inter-hour price volatility. On the load side, AEP has detailed weather and load forecasting functions that produce hourly load forecasts for bidding into the PJM market. Accurate load forecast is critical to managing the operating reserve exposure the company has in real-time to deviations from the day-ahead settlement results. Commercial Operations then runs its own shadow settlement process as a way to monitor the accuracy of the PJM bill and to request compensation from PJM when there are discrepancies.

WITNESS: Robert Bradish

Kentucky Power Company

REQUEST

When Kentucky Power's system sales clause was initially established in the late 1980s, the profits from off-system sales in excess of a base level were split equally between ratepayers and shareholders to create an incentive for Kentucky Power to increase its level of off-system sales. Explain in detail how, as a member of PJM, Kentucky Power's future level of off-system sales could be impacted by the percentage of off-system sales profits allocated to shareholders.

RESPONSE

The greater the percentage of off-system sales profits allocated to shareholders, the greater incentive Kentucky Power has to maximize off-system sales. Even as a member of PJM, Kentucky Power retains the right and ability to make off-system sales.

WITNESS: Robert Bradish

Kentucky Power Company

REQUEST

Between June 1, 2004 and October 1, 2005, did Kentucky Power review any rate applications that had been filed with this Commission by other utilities? If yes, provide the case style and docket number of each rate application reviewed.

RESPONSE

Kentucky Power generally reviewed Case No. 2003-00433, *An Adjustment of the Gas and Electric Rates, Terms, and Conditions of Louisville Gas & Electric Company* and Case No. 2003-00434, *An Adjustment of Electric Rates, Terms, and Conditions of Kentucky Utilities Company* primarily for format and style; Case No. 00421, *The Application of Louisville Gas & Electric Company for Approval of its 2004 Compliance Plan for Recovery by Environmental Surcharge* and Case No. 2004-00426, *The Application of Kentucky Utilities for Certificate of Public Convenience and Necessity to Construct Defulfurization System and Application of its 2004 Compliance Plan for Recovery by Environmental Surcharge*. However, in preparing this rate case Kentucky Power relied upon its previous rate cases approved by the Commission, Case No. 91-066 and Case No. 9061.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Between June 1, 2004 and October 1, 2005, did Kentucky Power review any Orders issued by this Commission in a case filed by another utility in which the subject of rates or rate adjustments was addressed? If yes, provide the case style and docket number of each Order reviewed.

RESPONSE

Kentucky Power generally reviewed orders in Case No. 2003-00433, *An Adjustment of the Gas and Electric Rates, Terms, and Conditions of Louisville Gas & Electric Company* and Case No. 2003-00434, *An Adjustment of Electric Rates, Terms, and Conditions of Kentucky Utilities Company*.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Refer to the Application, Section II, Exhibit A, pages 56 through 105 of 352. The chart of accounts provided in these pages appears to be for American Electric Power, Inc. ("AEP"). Does a Kentucky Power-specific version of the chart of accounts exist? If yes, provide that chart of accounts.

RESPONSE

No.

WITNESS: Ranie Wohnhas

Kentucky Power Company

REQUEST

Refer to the Application, Section II, Exhibit A, pages 340 and 341 of 352.

- a. Provide a description of the following activity or service shown on page 340:
 - (1) Develop and Market Services for Unregulated Markets.
 - (2) Develop Wholesale Business.
 - (3) Develop / Deploy Information or Communication Systems.
 - (4) Plan and Improve the Business.

- b. Describe the service or convenience provided by Appalachian Power Company to Kentucky Power during each of the periods shown on page 341

RESPONSE

a.

(1) The activities below are included in the 'Develop and Market Services for Unregulated Markets' service which were billed to KPCo in the amount of \$95,463 during the test year. The amount associated with each activity is listed next to the activity title.

Activity #35 - Market/Sell Unregulated Products & Services - \$6,992

This activity includes the entire sales cycle for products/services outside the regulated utility arena, with the exception of proposal and bid preparation. It includes identification of prospects, communication with them, development of rapport and any other sales tasks through closing the deal. It excludes the marketing/selling of coal combustion by-products. Major tasks include, but are not limited to:

- Identify networks of potential customers
- Identify prospective customers
- Obtain and maintain information on prospects
- Track and respond to sales opportunities
- Nurture contacts with prospective customers
- Close deals
- Perform all legal tasks in support of this activity

Activity #36 - Market/Sell Coal Combustion By-Products - \$1,435

This activity includes all costs and tasks associated with marketing and selling of coal combustion by-products. Major tasks include, but are not limited to:

- Process material
- Sample material
- Test material characteristics - physical and chemical
- Load/transport material for sale
- Transport material
- Weigh material
- Handle rail cars
- Supervise field operations
- Identify potential markets
- Provide marketing support
- Obtain environmental agency approval
- Conduct advertising/promotions
- Provide technical support
- Lease equipment
- Perform all legal tasks in support of this activity

Activity #629 - Provide Engineering Services - \$87,036

This activity is intended to cover all tasks related to providing engineering and technical services to third parties. Major tasks include, but are not limited to:

- Provide engineering and procurement services
- Provide project and construction management
- Perform negotiations
- Provide management of sub-contractors
- Provide or perform operations and maintenance of facilities
- Prepare bids and other estimates

(2) The activities below are included in the 'Develop Wholesale Business' service which were billed to KPCo in the amount of \$209,357 during the test year. The amount associated with each activity is listed next to the activity title.

Activity #622 - Market Trans/Ancil Service - \$139,684

Actively market the AEP transmission system and the associated ancillary services to wholesale market participants that require transmission services for their energy portfolio. Offer customized and standardized transmission products that will enable transmission revenue growth. Analyze the economics, investment opportunities and risk exposure of existing and proposed transmission products and ancillary services. Major tasks include, but are not limited to:

- Enter into appropriate agreements with transmission customers for transmission and ancillary services for both short and long term needs.
- Negotiate and file new agreements and administer new contracts under existing interconnection agreements.
- Determine the hourly, daily, weekly and monthly pricing of transmission products and ancillary services within the limits of regulatory tariffs and established business practices.
- Post the established prices on the OASIS (Open Access Same time Information System).
- Determine the ATC (Available Transfer Capability) for the FERC required time periods and post to the OASIS.

Activity #625 - Perform Unregulated Energy Trading Activities - \$830

Perform activities related to the wholesale trading of unregulated electricity. Major tasks include, but are not limited to:

- Trading
- Middle office functions
- Credit and treasury
- Marketing
- Market analysis
- Scheduling and logistics

Activity #626 - Conduct Unregulated Business Development - \$292

Evaluate and secure unregulated assets. Major tasks include, but are not limited to:

- Monitoring gas and power markets for asset availability
- Project analysis
- Project bidding
- Due diligence
- Document preparation (MOU, LOI, DA)

Activity #698 - Perform Regulated Energy Trading Activities - \$36,698

Perform activities related to the wholesale trading of regulated electricity. Major tasks include, but are not limited to:

- Trading
- Middle office functions
- *Credit and treasury*
- Marketing
- Market analysis
- Scheduling and logistics

Activity #699 - Perform Coal Trading Activities - \$13,748

Perform activities related to the wholesale trading and purchase of coal. Major tasks include, but are not limited to:

- Trading
- Coal purchases/marketing
- Middle office functions
- Credit and treasury
- Marketing transportation capacity
- Market analysis
- Scheduling of trains and barges
- Coal quality
- Field inspections
- Outside services (CCD and Buckeye Power)

Activity #700 - Conduct Regulated Business Development - \$407

Determine need and secure regulated assets. Major tasks include, but are not limited to:

- Determine key need for regulated assets
- Project analysis
- Project bidding
- Due diligence
- Document preparation (MOU, LOI, DA)

Activity #702 - Perform SO2 Allowance Trading Activities - \$17,698

Perform activities related to SO2 allowance trading. Major tasks include, but are not limited to:

- Trading
- Maintain and reconcile to the SO2 blotter/AMS Database
- Confirm each SO2 trade
- Negotiate contracts
- Prepare spreadsheets and coordinate with environmental services to transfer allowances
- Invoicing and billing
- Prepare monthly activity report for accounting
- Pay brokerage fees

(3) The activities below are included in the 'Develop/Deploy Information or Communication Systems' service which were billed to KPCo in the amount of \$530,363 during the test year. The amount associated with each activity is listed next to the activity title.

Activity #395 - Provide Application Support - \$239,727

This activity includes the tasks associated with maintaining existing computer application software. This activity includes maintenance and base work for these applications. Major tasks include, but are not limited to:

- Perform preventative maintenance tasks
- Perform corrective maintenance tasks
- Perform base IT work

Activity #405 - Engineer & Design Telecommunications System - \$751

This activity includes all tasks starting upon the project approval and ending at the start of installation related to the engineering and design of telecommunications infrastructure solutions including Microwave or Fiber Transport, LAN/WAN, PBX/Voice, or Wireless Communications Systems. Major tasks include, but are not limited to:

- Performing detailed engineering design
- Acquiring land, equipment and materials
- Preparing construction drawings and documentation
- Developing system specifications and standards
- Preparing Installation Plans

Activity #406 - Install & Remove Telecommunications Systems & Equipment - \$1,964

This activity includes all the tasks related to the installation, removal, or deployment of telecommunications infrastructure solutions including Microwave or Fiber Transport, LAN/WAN, PBX/Voice, or Wireless Communication Systems beginning with the completion of engineering and ending with the technical support phase. Major tasks include, but are not limited to:

- Constructing Physical Sites
- Installing electronic equipment
- Programming and provisioning telecom systems
- Upgrading, adding, moving, or removing telecom equipment

Activity #407 - Operate Telecommunications Systems - \$15,552

This activity includes all tasks related to the operations of telecommunications infrastructure including Microwave or Fiber Transport, LAN/WAN, PBX/Voice, or Wireless Communications Systems. Major tasks include, but are not limited to:

- Monitoring of performance
- Provisioning and allocating channels
- Backing up data systems
- Creating and monitoring trouble tickets
- Coordinating training scheduling, logging, and media handling
- Providing administrative support for Telecommunications processes

Activity #408 - Troubleshoot & Repair Telecommunication Systems - 2nd level - \$109

This activity includes all the tasks associated with troubleshooting and repairs of installed telecommunications infrastructure including Microwave or Fiber Transport, LAN/WAN, PBX/Voice, or Wireless Communications Systems. This activity includes the non-periodic maintenance of the telecommunications system. Major tasks include, but are not limited to:

- Analyzing fault and performance monitoring data
- Analyzing externally generated trouble tickets
- Dispatching field technical personnel
- Coordinating with vendor TAC and field personnel
- Interacting with customers/clients during restoration
- Repairing equipment as necessary

Activity #409 - Perform Preventive Maintenance of Telecommunication Systems & Equipment - \$16,717

This activity includes preventive maintenance services on existing telecommunication infrastructure including Microwave or Fiber Transport, LAN/WAN, PBX/Voice, or Wireless Communications Systems for normal and expected use. Major tasks include, but are not limited to:

- Perform routing, repetitive preventive maintenance on telecommunications equipment
- Perform other preventive maintenance as required

Activity #534 - Provide IT Resources - \$511

This activity includes all tasks associated with the management of the assignment of IT resources to the appropriate projects. Major tasks include, but are not limited to:

- Review of project plans
- Assignment of staff/contractors to the projects
- Vendor relations
- Monitoring of staff resource usage

Activity #668 - Provide Information Technology Planning - \$15,103

This activity includes all tasks associated with performing planning and engineering studies up to the point of approval dealing with the analysis of equipment, application software and new technologies related to information technology and information architecture. Planning involves the development of project proposals, economic and alternative analyses and definition of business/ technical requirements. Major tasks include, but are not limited to:

- Analyze emerging trends, products and concepts
- Evaluate the approaches and tools used for delivering applications
- Prioritize human and financial resources for IT projects and dedicated IT infrastructure initiatives

Activity #670 - Provide Enhancements & Modifications - \$3,849

This activity includes the tasks associated with enhancing, modifying and integrating existing computer application software. This activity does not include maintenance and/or base work. Major tasks include, but are not limited to:

- Manage the project
- Code/ test/ debug
- Implement change

Activity #672 - Provide IT Technical Support - \$12,596

This activity includes technical expertise, which is provided to Business Unit/ Support Service personnel and IT project staff. Major tasks include, but are not limited to:

- Manage Projects
- Develop user manuals/ guidelines
- Perform research studies
- Provide technical advice/ recommendations
- Evaluate existing products

Activity #679 - Design, Develop & Introduce New Systems & Applications - \$55,707

This activity includes all tasks related to the analysis, development/ procurement, project management, testing, package evaluation/ selection, integration, data conversion, implementation and software quality assurance of new applications. The scope of this activity builds off the planning activities and includes the complete development cycle through the development of documentation. Major tasks include, but are not limited to:

- Perform analysis of new applications
- Develop new applications
- Perform tests of new applications
- Convert data to new systems & applications

Activity #680 - Provide IT Engineering & Design Services - \$11,555

This activity includes all tasks (starting at project approval and ending at the start of installation) related to the engineering and designing of infrastructure solutions. An infrastructure solution may include computer hardware, system software, office products, databases, networks and other telecommunications systems. Major tasks include, but are not limited to:

- Product development and testing
- Prepare system specifications and standards
- Develop documentation and drawings
- Prepare an installation plan
- Prepare cost estimates for equipment

Activity #681 - Develop & Deploy IT Infrastructure - \$21,283

This activity includes all tasks related to the installation or deployment of infrastructure solutions. An infrastructure solution may include computer hardware, system software, office products, databases and networks. Major tasks include, but are not limited to:

- Install and remove infrastructure equipment
- Load software
- Provide system programming/ provisioning

Activity #682 - Operate IT - \$112,544

This activity includes all tasks related to the operation of IT systems and infrastructure. This includes the day-to-day management of computer systems, telecommunications and application systems that utilize the IT infrastructure following service agreements. Major tasks include, but are not limited to:

- Manage the operations
- Monitor performance
- Administer security
- Manage/ perform configuration
- Perform change and IT asset management

Activity #683 - Perform IT Preventative Maintenance - \$20,427

This activity includes all tasks associated with performing preventive maintenance on IT systems. Major tasks include, but are not limited to:

- Identify unsatisfactory conditions prior to failure or SLA violation
- Perform tests to determine the condition and integrity of the equipment

Activity #689 - Troubleshoot & Repair IT Systems - \$1,642

This activity includes all tasks associated with troubleshooting and performing repairs to IT systems where the restoration effort does not require a major revision to the original design. The scope of this activity includes those tasks associated with the restoration of service and/ or repair of equipment. Major tasks include, but are not limited to:

- Provide Level 2 support
- Repair test equipment

Activity #697 - Provide Telecommunications Technical Support - 3rd level - \$326

This activity includes tasks associated with the restoration of service on telecommunications infrastructure including Microwave or Fiber Transport, LAN/WAN, PBX/Voice, or Wireless Communications Systems, where system hardware or software has failed and restoration effort requires a revision (engineering fix) to the original system. Major tasks include, but are not limited to:

- Extending the life of existing systems but not including the replacement of the system due to obsolescence

(4) The activities below are included in the 'Plan and Improve the Business' service which were billed to KPSC in the amount of \$2,068,157 during the test year. The amount associated with each activity is listed next to the activity title.

Activity #263 - Perform Strategic Planning & Analysis - \$955,282

This activity includes all tasks involved in developing and articulating AEP's overall financial and operating objectives and monitoring progress toward achieving them. The activity involves formulating the corporation's mission statement and developing strategic plans for the entire organization, including time spent in meetings and doing pre- and post-meeting preparation and follow-up work. Also includes efforts devoted to studies that support strategic decision-making. Major tasks include, but are not limited to:

- Identify major market, regulatory, competitive and technological trends affecting the organization
- Perform strategic analysis, including gathering and analysis of data
- Define planning parameters and assumptions
- Perform competitive studies
- Define corporate mission
- Develop corporate and operating company strategic plans
- Prepare for, coordinate and participate in executive team planning sessions
- Perform pre- and post-meeting work
- Provide strategic direction
- Perform risk assessments
- Prepare financial studies to support the strategic planning process, including dividend policy studies, capital structure studies and external benchmarking of financial data
- Develop and support strategic initiatives, such as the AEP New Directions program
- Perform all legal tasks in support of this activity

Activity #264 - Develop & Administer Long-Range Business Plans - \$134,915

This activity includes all work creating business plans, including time spent in meetings and doing pre-meeting preparation and post-meeting follow-up work. Also includes efforts devoted to studies that support the business planning process. Business Plans are more specific and implementation-oriented than strategic plans. Strategic Plans should be captured in this business process under "Perform Strategic Planning and Analysis." Major tasks include, but are not limited to:

- Support business study initiatives
- Attend planning meetings
- Provide tactical direction
- Develop MBOs/goals and objectives
- Perform pre- and post-meeting work
- Prepare financial studies to support the business planning process (dividend policy studies, capital structure studies, external benchmarking of financial data)
- Perform risk assessments
- Perform legal tasks in support of this activity

Activity #266 - Evaluate Investment/Diversification Opportunities - \$2,858

This activity includes those tasks associated with analyzing opportunities for investment into service/product line ventures or business diversification outside of the traditional regulated utility sector. It includes the analysis of the financial and business impact of the investment or opportunity. Direct labor as well as any third-party fees (i.e., investment bankers, consultants). Major tasks include, but are not limited to:

- Identify opportunities
- Perform market analysis
- Perform financial analysis
- Perform technical analysis
- Research related accounting
- Structure/negotiate the deal
- Develop recommendations for management
- Obtain approval from Board of Directors, Shareholders and regulators
- Perform due diligence
- Perform all legal tasks in support of this activity

Activity #268 - Participate in Process Improvement Efforts - \$610,883

This activity includes all tasks involved with the development and/or participation in formal efforts to support improvements in AEP business processes. The activity encompasses Continuous Improvement as well as Business Process Re-engineering efforts. It includes the development and administration of the programs along with the costs of process analysis and redesign. Actual implementation of new processes (training, development of new information systems, etc.) is excluded. These costs would be covered under the appropriate Training or IS Development activity. Major tasks include, but are not limited to:

- Formation and management of Employee Involvement (EI) teams
- Analysis of current "as is" processes
- Perform Benchmarking Analysis
- Perform Best Practice Analysis
- Conduct process re-engineering efforts
- Perform and evaluate organizational redesign
- Analyze and implement new methods
- Coordinate and support organizational development
- Conduct continuous process improvement efforts
- Attend process improvement meetings
- Perform investigative interviews
- Write-up and present findings
- Facilitate EI teams
- Operations Improvement program
- Develop and participate in STARS for excellence program
- Develop, coordinate and participate in PIP or PSP efforts
- Perform Drill-Down queries
- Review and analyze Strategic Performance Measures
- Prepare Performance Reports
- Define and generate reports

- Extract cost data for analysis and/or reporting
- Monitor and analyze results
- Respond to management inquiries
- Perform Variance Analysis
- Perform Trend Analysis
- Perform Value-Added Analysis
- Perform Output Measure Analysis
- Perform Cost Driver Analysis
- Perform Risk Analysis
- Perform Cost Benefit Analysis

Activity #269 - Develop Measures & Analyze Organizational Performance - \$190,626

This activity includes all tasks associated with the development of organizational performance measures and the subsequent analysis of organization performance. It includes internal/external benchmarking of organizational performance and review and analysis of management reports and results of operations. It excludes individual or crew (i.e., JPR and PSP) reviews (see Business Process Ensure Individual Job Competence) and equipment evaluations (see Business Process Operate Plant Systems & Equipment). Major tasks include, but are not limited to:

- Develop organizational performance measures
- Analyze operational indicators & statistics
- Assess operational effectiveness/efficiency
- Perform productivity analyses
- Prepare and review departmental reports: significant items/change
- Support and review internal policy and procedures
- Prepare special studies upon management request
- Perform Benchmarking Analysis
- Perform Best Practice Analysis
- Perform Drill-Down queries
- Review and analyze Strategic Performance Measures
- Prepare Performance Reports
- Define and generate reports
- Extract cost data for analysis and/or reporting
- Monitor and analyze results
- Respond to management inquiries
- Perform Variance Analysis
- Perform Trend Analysis
- Perform Value-Added Analysis
- Perform Output Measure Analysis
- Perform Cost Driver Analysis
- Perform Risk Analysis
- Perform Cost Benefit Analysis

Activity #270 - Provide Technical & Economic Evaluation - \$113,292

This activity includes all tasks associated with the technical or economic analysis and investigation necessary to resolve a problem or determine the feasibility of the most appropriate alternative for non-power related projects. Major tasks include, but are not limited to:

- Determine investigation requirements
- Analyze problem or issue
- Gather data
- Perform analysis
- Identify options
- Prepare cost estimates
- Develop feasibility analysis
- Prepare recommendations and reports
- Perform all legal tasks in support of this activity

Activity #273 - Conduct Research & Development - \$60,301

This activity includes all tasks associated with planning, supervising, designing, performing and evaluating both basic and applied research projects. This activity involves collecting, analyzing, and evaluating information on all aspects of the research from study design through dissemination of results. This activity also includes all costs associated with membership in support of EPRI, including funding of EPRI sponsored research and development projects being conducted at AEP or elsewhere. This activity does not include, market research efforts, which are captured under the process groups "Develop Business" and "Provide Customer Service." Major tasks include, but are not limited to:

- Identify potential research projects
- Review and prioritize projects
- Select projects
- Design research
- Facilitate meetings
- Carry out research design
- Investigate new analytical techniques
- Report findings and conclusions
- Administer research
- Perform cost/benefit analysis
- Perform all legal tasks in support of this activity.
- Participate on committees
- Travel to events
- Review reports
- Disseminate information
- Gather and supply data to EPRI

b. Charges to KPCo are primarily related to services for the construction and maintenance of distribution and transmission facilities, purchases at cost of material and supplies, sale of parts and equipment, Central Machine Shop repairs of generation-related assets, customer service activities related to reading meters and processing and performing reconnects, and operator training at Amos Simulator, all of which are recurring in nature. In addition, Appalachian Power pays invoices for the benefit of multiple AEP affiliates and bills portions to the appropriate AEP affiliates who benefit from the service provided. Examples of convenience payments made during the test year are payments made by Appalachian and billed to all AEP East generation companies, including Kentucky, for legal matters which were common to all companies.

WITNESS: Errol Wagner

Kentucky Power Company

REQUEST

Refer to the Application, Section IV, page 8 of 16. For each of the following accounts, describe the nature of the account, describe the type of transactions recorded in the account, and explain why these expenses are considered to be Operation and Maintenance (“O&M”) expenses:

- a. Factored Customer Accounts Receivable Expense.
- b. Factored Customer Accounts Receivable Bad Debt.

RESPONSE

Factored Customer Accounts Receivable Expense (Carrying Cost Expense) and Factored Customer Accounts Receivable Bad Debt (Bad Debt Expense) are classified as O&M for SEC reporting purposes to properly reflect the nature of the expenses in accordance with GAAP. These expenses are directly related to the billing of revenue, financing related cost of receivables and risk of bad debt on existing receivables, all of which the company would incur as O&M related expenses if factoring had not been established.

(a) The Factored Customer Accounts Receivable Expense (Carrying Cost Expense) reflects a discount AEP Credit receives for the receivables it purchases from Kentucky Power. The determination of the discount is based upon AEP Credit’s cost of financing, which is set at an SEC approved debt to equity ratio. The carrying cost discount is booked as carrying cost expense on the Company’s books in account 4265009.

(b) The Factored Customer Accounts Receivable Bad Debt (Bad Debt Expense) reflects a discount AEP Credit receives for the receivables it purchases from Kentucky Power. The collection experience component of the discount is based upon a rolling twelve-month percentage of charge-offs, or uncollectible accounts, to A/R purchased. The collection experience discount is booked as bad debt expense on the Company’s books in account 4265010.

WITNESS: Errol Wagner

Kentucky Power Company

REQUEST

Refer to the Application, Section IV, page 14 of 16. For each of the following accounts, describe the nature of the account and the type of transactions recorded in the account:

- a. Prepayments – Management Fee – ALLTEL.
- b. Prepayments – Carry Cost – Factored Accounts Receivable.

RESPONSE

a. This is a prepaid expense account that was used to record a finders fee expense for the rental of Kentucky Power's telecom tower space. Kentucky Power had an agreement with American Tower, a marketing agent, for American Tower to sell Kentucky Power's tower space in return for a finders fee. When American Tower found a carrier to rent the tower space, the finders fee was paid to American Tower and recorded in a prepaid expense account to be amortized over the initial term of the lease.

b. This is a prepaid expense account used to record carrying costs that have been prepaid to AEP Credit but have not yet been incurred. As Kentucky Power sells its A/R to AEP Credit, a carrying cost discount is deducted from the purchase price and booked as carrying cost expense on the Company's books in account 4265009. However, since the discount is based upon how long AEP Credit expects to carry the receivables, a portion of the carrying cost expense will be booked as Prepayments - Carrying Cost - Factored Accounts Receivable in account 1650009 if it is determined that the receivables will be carried into future months. This entry will be reversed in the month that the carrying cost actually occurs and will then be booked as carrying cost expense in account 4265009.

WITNESS: Errol Wagner

Kentucky Power Company

REQUEST

Refer to the Application, Section V, Schedule 4, page 1. Provide the supporting calculations, workpapers, and assumptions used to determine the "Base Case PSC Jurisdiction" Rate Base shown on lines 15 through 25.

RESPONSE

The amounts reflected in the Base Case PSC Jurisdiction (column 3) comes from Section V, Schedule 5 column 6. Section V, Schedule 5 starts with the "Total Company Per Books" amounts and makes "Elimination Adjustments" to arrive at the Electric Utility column. The Electric Utility column is split between retail and wholesale jurisdictions. The support for this information is referenced in column 7.

Also, attached is a copy of Section V, Schedule 4, pages 1 through 9 along with Section V, Workpaper S-4 pages 1 through 41. The Company keyed the information in the "Rate Case Adjustments" (Column 4) to the supporting pages shown on lines 15 through 25. The Cash Working Capital, line 21, reflects the rate case operation and maintenance expense adjustments (Section V, Workpaper S-4, pages 1 through 41) divided by eight.

WITNESS: Errol K Wagner

Kentucky Power Company
Adjustment Summary
Test Year Twelve Months Ended 6/30/2005

Section V
Schedule 4
Page 1

Ln No (1)	<u>Description</u> (2)	Base Case PSC <u>Jurisdiction</u> (3)	Rate Case <u>Adjustments</u> (4)	Adjusted PSC <u>Jurisdiction</u> (5)
	<u>Operating Revenues</u>			
1	Sales of Electricity	\$336,751,863	\$591,825	\$337,343,688
2	Other Operating Revenues	<u>\$12,983,134</u>	<u>(\$4,270,069)</u>	<u>\$8,713,065</u>
3	Total Operating Revenues	<u>\$349,734,997</u>	<u>(\$3,678,244)</u>	<u>\$346,056,753</u>
	<u>Operating Expenses</u>			
4	Operation & Maintenance	\$235,489,125	\$31,506,995	\$266,996,120
5	Depreciation	\$44,043,880	\$3,654,912	\$47,698,792
6	Taxes Other Than Income Taxes	\$8,937,315	\$260,696	\$9,198,011
7	State Income Tax	\$1,030,001	(\$2,378,229)	(\$1,348,228)
	Federal Income Tax:			
8	Current	\$4,668,094	(\$10,733,225)	(\$6,065,131)
9	Deferred	\$4,900,291	(\$1,338,731)	\$3,561,560
10	ITC Adjustment	<u>(\$1,156,997)</u>	<u>\$0</u>	<u>(\$1,156,997)</u>
11	Total Operating Expenses	<u>\$297,911,709</u>	<u>\$20,972,418</u>	<u>\$318,884,127</u>
12	Net Electric Operating Income (Lns 3-11)	\$51,823,288	(\$24,650,662)	\$27,172,626
13	AFUDC Offset Adjustment	<u>\$608,522</u>	<u>\$625,507</u>	<u>\$1,234,029</u>
14	Net Electric Operating Income - Adjusted	<u>\$52,431,810</u>	<u>(\$24,025,155)</u>	<u>\$28,406,655</u>
	<u>Rate Base</u>			
15	Electric Plant in Service - Gross	\$1,331,453,536	\$5,484,600 ^①	\$1,336,938,136
16	Accum. Prov. For Depreciation	<u>\$432,998,450</u>	<u>\$0</u>	<u>\$432,998,450</u>
17	Electric Plant in Service - Net	\$898,455,086	\$5,484,600	\$903,939,686
18	Plant Held for Future Use	\$83,282	\$0	\$83,282
19	Prepayments	\$655,315	\$4,083,831 ^④	\$4,739,146
20	Material & Supplies	\$16,502,178	\$3,542,537 ^⑦	\$20,044,715
21	Cash Working Capital	\$45,120,342	\$3,938,375 ^⑩	\$49,058,717
22	Construction Work in Progress	\$19,159,718	\$0	\$19,159,718
	Less:			
23	Customer Advance & Deposits	\$10,598,069	\$0	\$10,598,069
24	Accumulated Deferred Income Taxes	<u>\$127,983,435</u>	<u>\$0</u>	<u>\$127,983,435</u>
25	Total Rate Base	<u>\$841,394,417</u>	<u>\$17,049,343</u>	<u>\$858,443,760</u>

Kentucky Power Company
Rate Case Adjustments
Test Year Twelve Months Ended 6/30/2005

Section V
Schedule 4
Page 2

Ln No (1)	Description (2)	Total Adjustments							
		Page 3 (3)	Page 4 (4)	Page 5 (5)	Page 6 (6)	Page 7 (7)	Page 8 (8)	Page 9 (9)	Grand Total (10)
<u>Operating Revenues</u>									
1	Sales of Electricity	\$1,561,075	\$0	\$0	(\$969,250)	\$0	\$0	\$0	\$591,825
2	Other Operating Revenues	\$0	\$0	\$983,167	\$0	\$4,061,604	(\$9,314,840)	\$0	(\$4,270,069)
3	Total Operating Revenues	\$1,561,075	\$0	\$983,167	(\$969,250)	\$4,061,604	(\$9,314,840)	\$0	(\$3,678,244)
<u>Operating Expenses</u>									
4	Operation & Maintenance	\$8,689,044	\$1,699,079	\$632,477	\$2,546,052	\$15,172,169	\$1,472,277	\$1,295,897	\$31,506,995
5	Depreciation	\$3,654,912	\$0	\$0	\$0	\$0	\$0	\$0	\$3,654,912
6	Taxes Other Than Income Taxes	\$230,020	\$30,676	\$0	\$0	\$0	\$0	\$0	\$260,696
7	State Income Tax	(\$529,556)	(\$124,492)	\$113,160	(\$168,093)	(\$799,630)	(\$776,352)	(\$93,266)	(\$2,378,229)
Federal Income Tax:									
8	Current	(\$2,389,951)	(\$561,843)	\$510,707	(\$758,622)	(\$3,608,828)	(\$3,503,767)	(\$420,921)	(\$10,733,225)
9	Deferred	(\$1,006,850)	\$0	\$81,020	(\$412,901)	\$0	\$0	\$0	(\$1,338,731)
10	ITC Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	Total Operating Expenses	\$8,647,619	\$1,043,420	\$1,337,364	\$1,206,436	\$10,763,711	(\$2,807,842)	\$781,710	\$20,972,418
12	Net Electric Operating Income (Lns 3-11)	(\$7,086,544)	(\$1,043,420)	(\$354,197)	(\$2,175,686)	(\$6,702,107)	(\$6,506,998)	(\$781,710)	(\$24,650,662)
13	AFUDC Offset Adjustment	\$0	\$0	\$625,507	\$0	\$0	\$0	\$0	\$625,507
14	Net Electric Operating Income - Adjusted	(\$7,086,544)	(\$1,043,420)	\$271,310	(\$2,175,686)	(\$6,702,107)	(\$6,506,998)	(\$781,710)	(\$24,025,155)
<u>Rate Base</u>									
15	Electric Plant In Service - Gross	\$0	\$0	\$0	\$0	\$5,484,600 (2)	\$0	\$0	\$5,484,600 (1)
16	Accum. Prov. For Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Electric Plant In Service - Net	\$0	\$0	\$0	\$0	\$5,484,600	\$0	\$0	\$5,484,600
18	Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Dumont Test Site	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Prepayments	\$0	\$0	\$0	\$0	\$0	\$4,083,831 (5)	\$0	\$4,083,831 (4)
21	Material & Supplies	\$0	\$0	\$0	\$3,542,537 (2)	\$0	\$0	\$0	\$3,542,537 (7)
22	Cash Working Capital	\$1,086,131 (1)	\$212,385 (15)	\$79,060 (2)	\$318,257 (23)	\$1,896,521 (27)	\$184,034 (32)	\$161,987 (36)	\$3,938,375 (10)
23	Construction Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Less:</u>									
24	Customer Advance & Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Accumulated Deferred Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Total Rate Base	\$1,086,131	\$212,385	\$79,060	\$3,860,794	\$7,381,121	\$4,267,865	\$161,987	\$17,049,343

KPSC Case No. 2005-00341
 Commission Staff 2nd Set Data Requests
 Order dated November 10, 2005
 Item No. 13
 Page 3 of 36

Kentucky Power Company
Rate Case Adjustments
Test Year Twelve Months Ended 6/30/2005

Section V
Schedule 4
Page 3

Ln No	Description	Annualization Postage Increase (1)	Annualization Emp. Related Expense (2 - 6)	Annualization of Property Taxes (7)	Annualized Depreciation Expense (8)	Net Merger Savings Adjustment (9)	Adjust State Issues Revenues (10)	Page Subtotal
<u>Operating Revenues</u>								
1	Sales of Electricity	\$0	\$0	\$0	\$0	\$4,018,275	(\$2,457,200)	\$1,561,075
2	Other Operating Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Total Operating Revenues	\$0	\$0	\$0	\$0	\$4,018,275	(\$2,457,200)	\$1,561,075
<u>Operating Expenses</u>								
4	Operation & Maintenance	\$38,192 (2-1)	\$1,265,852 (3-1)	\$0	\$0	\$7,385,000 (14-1)	\$0	\$8,689,044
5	Depreciation	\$0	\$0	\$0	\$3,654,912	\$0	\$0	\$3,654,912
6	Taxes Other Than Income Taxes	\$0	\$67,660	\$162,360	\$0	\$0	\$0	\$230,020
7	State Income Tax	(\$2,749)	(\$95,973)	(\$11,685)	\$0	(\$242,304)	(\$176,845)	(\$529,556)
Federal Income Tax:								
8	Current	(\$12,405)	(\$433,139)	(\$52,736)	\$0	(\$1,093,547)	(\$798,124)	(\$2,389,951)
9	Deferred	\$0	\$0	\$0	(\$1,006,850)	\$0	\$0	(\$1,006,850)
10	ITC Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	Total Operating Expenses	\$23,038	\$804,400	\$97,939	\$2,648,062	\$6,049,149	(\$974,969)	\$8,647,619
12	Net Electric Operating Income (Lns 3-11)	(\$23,038)	(\$804,400)	(\$97,939)	(\$2,648,062)	(\$2,030,874) (14-2)	(\$1,482,231)	(\$7,086,544)
13	AFUDC Offset Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Net Electric Operating Income - Adjusted	(\$23,038)	(\$804,400)	(\$97,939)	(\$2,648,062)	(\$2,030,874)	(\$1,482,231)	(\$7,086,544)
<u>Rate Base</u>								
15	Electric Plant in Service - Gross	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Accum. Prov. For Deperciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Electric Plant in Service - Net	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Dumont Test Site	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Prepayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	Material & Supplies	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	Cash Working Capital	\$4,774 (12)	\$158,232 (13)	\$0	\$0	\$923,125 (14)	\$0	\$1,086,131 (11)
23	Construction Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Less:</u>								
24	Customer Advance & Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Accumulated Deferred Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Total Rate Base	\$4,774	\$158,232	\$0	\$0	\$923,125	\$0	\$1,086,131

KPSC Case No. 2005-00341
 Commission Staff 2nd Set Data Requests
 Order dated November 10, 2005
 Item No. 13
 Page 4 of 36

Kentucky Power Company
Rate Case Adjustments
Test Year Twelve Months Ended 6/30/2005

Section V
Schedule 4
Page 4

Ln No (1)	Description (2)	Annualized PSC Assessment (11)	KPSC Consultants Expense (12)	Amortization of Rate Case Expense (13)	Annualized Lease Expense (14)	O&M Adjustment Advertising Expense (15)	Storm Damage Adjustment (16)	Page Subtotal
Operating Revenues								
1	Sales of Electricity	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Other Operating Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Total Operating Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Expenses								
	Operation & Maintenance	\$0	\$48,576 (16)	\$143,567 (17)	\$12,540 (18)	(\$30,262) (19)	\$1,524,658 (20)	\$1,699,079
	Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Taxes Other Than Income Taxes	\$30,676	\$0	\$0	\$0	\$0	\$0	\$30,676
	State Income Tax	(\$2,208)	(\$3,496)	(\$10,333)	(\$903)	\$2,178	(\$109,730)	(\$124,492)
	Federal Income Tax:							
	Current	(\$9,964)	(\$15,778)	(\$46,632)	(\$4,073)	\$9,829	(\$495,225)	(\$561,843)
	Deferred	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	ITC Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total Operating Expenses	\$18,504	\$29,302	\$86,602	\$7,564	(\$18,255)	\$919,703	\$1,043,420
12	Net Electric Operating Income (Lns 3-11)	(\$18,504)	(\$29,302)	(\$86,602)	(\$7,564)	\$18,255	(\$919,703)	(\$1,043,420)
13	AFUDC Offset Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Net Electric Operating Income - Adjusted	(\$18,504)	(\$29,302)	(\$86,602)	(\$7,564)	\$18,255	(\$919,703)	(\$1,043,420)
Rate Base								
15	Electric Plant in Service - Gross	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Accum. Prov. For Deperclaton	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Electric Plant in Service - Net	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Dumont Test Site	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Prepayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	Material & Supplies	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	Cash Working Capital	\$0	\$6,072 (16)	\$17,946 (17)	\$1,568 (18)	(\$3,783) (19)	\$190,582 (20)	\$212,385 (15)
23	Construction Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less:								
24	Customer Advance & Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Accumulated Deferred Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Total Rate Base	\$0	\$6,072	\$17,946	\$1,568	(\$3,783)	\$190,582	\$212,385

KPSB Case No. 2005-0034
 Commission Staff 2nd Set Data Request
 Order dated November 10, 2005
 Item No. 13
 Page 5 of 36

Kentucky Power Company
Rate Case Adjustments
Test Year Twelve Months Ended 6/30/2005

Section V
 Schedule 4
 Page 5

Ln No (1)	<u>Description</u> (2)	<u>O&M Expense Interest on Cust. Deposit</u> (17)	<u>Adjustment to Temp. Cash Investment</u> (18)	<u>AFUDC Offset Adjustment</u> (19)	<u>Adjustment Interest Synchronization</u> (20)	<u>Adjustment to Misc. Service Charges</u> (21)	<u>Adjustment to CATV Tariff</u> (22)	<u>Page Subtotal</u>
Operating Revenues								
1	Sales of Electricity	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Other Operating Revenues	\$0	\$383,436	\$0	\$0	\$455,973	\$143,758	\$983,167
3	Total Operating Revenues	\$0	\$383,436	\$0	\$0	\$455,973	\$143,758	\$983,167
Operating Expenses								
	Operation & Maintenance	\$632,477	\$0	\$0	\$0	\$0	\$0	\$632,477
	Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Taxes Other Than Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	State Income Tax	(\$45,520)	\$27,596	\$0	\$87,921	\$32,817	\$10,346	\$113,160
	Federal Income Tax:							
	Current	(\$205,435)	\$124,544	\$0	\$396,799	\$148,105	\$46,694	\$510,707
	Deferred	\$0	\$0	\$81,020	\$0	\$0	\$0	\$81,020
	ITC Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	Total Operating Expenses	\$381,522	\$152,140	\$81,020	\$484,720	\$180,922	\$57,040	\$1,337,364
12	Net Electric Operating Income (Lns 3-11)	(\$381,522)	\$231,296	(\$81,020)	(\$484,720)	\$275,051	\$86,718	(\$354,197)
13	AFUDC Offset Adjustment	\$0	\$0	\$625,507	\$0	\$0	\$0	\$625,507
14	Net Electric Operating Income - Adjusted	(\$381,522)	\$231,296	\$544,487	(\$484,720)	\$275,051	\$86,718	\$271,310
Rate Base								
15	Electric Plant in Service - Gross	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Accum. Prov. For Deperciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Electric Plant in Service - Net	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Dumont Test Site	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Prepayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	Material & Supplies	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	Cash Working Capital	\$79,060	\$0	\$0	\$0	\$0	\$0	\$79,060
23	Construction Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less:								
24	Customer Advance & Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Accumulated Deferred Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Total Rate Base	\$79,060	\$0	\$0	\$0	\$0	\$0	\$79,060

KPS&G Case No. 2005-0034
 Commission Staff 2nd Set Data Requests
 Order dated November 10, 2005
 Item No. 13
 Page 6 of 36

22

21

Kentucky Power Company
Rate Case Adjustments
Test Year Twelve Months Ended 6/30/2005

Section V
Schedule 4
Page 6

Ln No (1)	Description (2)	Net Line of Credit Fee (23)	Revenue / Customer Annualization (24)	Customer Migration Adjustment (25)	Adjustment to System Sales (26)	Fuel Cost Recovery (27)	Adjustment to Fuel Stock Big Sandy Plt. (28)	Page Subtotal
Operating Revenues								
1	Sales of Electricity	\$0	\$195,124	\$15,344	\$0	(\$1,179,718)	\$0	(\$969,250)
2	Other Operating Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Total Operating Revenues	\$0	\$195,124	\$15,344	\$0	(\$1,179,718)	\$0	(\$969,250)
Operating Expenses								
	Operation & Maintenance	\$378,305 (24.1)	\$142,148 (25.1)	\$0	\$2,025,599 (26.1)	\$0	\$0	\$2,546,052
	Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Taxes Other Than Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	State Income Tax	(\$27,227)	\$3,813	\$1,104	(\$145,783)	\$0	\$0	(\$168,093)
	Federal Income Tax:							
	Current	(\$122,877)	\$17,207	\$4,984	(\$657,936)	\$0	\$0	(\$758,622)
	Deferred	\$0	\$0	\$0	\$0	(\$412,901)	\$0	(\$412,901)
	ITC Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total Operating Expenses	\$228,201	\$163,168	\$6,088	\$1,221,880	(\$412,901)	\$0	\$1,206,436
12	Net Electric Operating Income (Lns 3-11)	(\$228,201)	\$31,956	\$9,256	(\$1,221,880)	(\$766,817)	\$0	(\$2,175,686)
13	AFUDC Offset Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Net Electric Operating Income - Adjusted	(\$228,201)	\$31,956	\$9,256	(\$1,221,880)	(\$766,817)	\$0	(\$2,175,686)
Rate Base								
15	Electric Plant in Service - Gross	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Accum. Prov. For Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Electric Plant in Service - Net	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Dumont Test Site	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Prepayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	Material & Supplies	\$0	\$0	\$0	\$0	\$0	\$3,542,537 (9)	\$3,542,537 (8)
22	Cash Working Capital	\$47,288 (24)	\$17,769 (25)	\$0	\$253,200 (26)	\$0	\$0	\$318,257 (23)
23	Construction Work In Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less:								
24	Customer Advance & Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Accumulated Deferred Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Total Rate Base	\$47,288	\$17,769	\$0	\$253,200	\$0	\$3,542,537	\$3,860,794

KPS&C Case No. 2005-0034
 Commission Staff 2nd Set Data Requests
 Order dated November 10, 2005
 Item No. 13
 Page 7 of 36

Kentucky Power Company
Rate Case Adjustments
Test Year Twelve Months Ended 6/30/2005

Ln No (1)	Description (2)	Reliability Adjustment (29)	Adj. AEP Pool Capacity Cost for Changes (30)	Annualization of Vehicle Fuel Cost (31)	Normalization of PJM Revenues (32)	Normalize PJM Network Trans. Revenues (33)	Elimination of FERC Assessment Fee (34)	Page Subtotal
<u>Operating Revenues</u>								
1	Sales of Electricity	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Other Operating Revenues	\$0	\$0	\$0	\$2,424,087	\$1,637,517	\$0	\$4,061,604
3	Total Operating Revenues	\$0	\$0	\$0	\$2,424,087	\$1,637,517	\$0	\$4,061,604
<u>Operating Expenses</u>								
4	Operation & Maintenance	\$6,074,346 (28-1)	\$8,992,705 (29-1)	\$133,181 (30-1)	\$0	\$0	(\$28,063) (31-1)	\$15,172,169
5	Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Taxes Other Than Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	State Income Tax	(\$437,172)	(\$647,208)	(\$9,585)	\$174,462	\$117,853	\$2,020	(\$799,630)
8	Federal Income Tax:							
9	Current	(\$1,973,011)	(\$2,920,924)	(\$43,259)	\$787,369	\$531,882	\$9,115	(\$3,608,828)
10	Deferred	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	ITC Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total Operating Expenses	(\$2,410,183)	(\$3,568,132)	(\$52,844)	\$961,831	\$649,735	\$11,135	\$10,763,711
12	Net Electric Operating Income (Lns 3-11)	(\$3,664,163)	(\$5,424,573)	(\$80,337)	\$1,462,256	\$987,782	\$16,928	(\$6,702,107)
13	AFUDC Offset Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Net Electric Operating Income - Adjusted	(\$3,664,163)	(\$5,424,573)	(\$80,337)	\$1,462,256	\$987,782	\$16,928	(\$6,702,107)
<u>Rate Base</u>								
15	Electric Plant in Service - Gross	\$5,484,600 (3)	\$0	\$0	\$0	\$0	\$0	\$5,484,600 (2)
16	Accum. Prov. For Deperciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Electric Plant in Service - Net	\$5,484,600	\$0	\$0	\$0	\$0	\$0	\$5,484,600
18	Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Dumont Test Site	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Prepayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	Material & Supplies	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	Cash Working Capital	\$759,293 (28)	\$1,124,088 (29)	\$16,648 (30)	\$0	\$0	(\$3,508) (31)	\$1,896,521 (27)
23	Construction Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Less:</u>								
24	Customer Advance & Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Accumulated Deferred Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Total Rate Base	\$6,243,893	\$1,124,088	\$16,648	\$0	\$0	(\$3,508)	\$7,381,121

KPS-C Case No. 2005-00341
 Commission Staff 2nd Set Data Request
 Order dated November 10, 2005
 Page 8 of 36
 Item No. 13

Kentucky Power Company
Rate Case Adjustments
Test Year Twelve Months Ended 6/30/2005

Section V
Schedule 4
Page 8

Ln No (1)	Description (2)	Normalization of PJM Net Expansion Expenses (35)	Amortization of RTO Formation Costs (36)	Transmission Equalization Adjustment (37)	Big Sandy Plant Maintenance Adjustment (38)	Normalization PJM PTP Trans. Revenues (39)	Prepayment Pension Adjustment (40)	Page Subtotal
Operating Revenues								
1	Sales of Electricity	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Other Operating Revenues	\$0	\$0	\$272,404	\$0	(\$9,587,244)	\$0	(\$9,314,840)
3	Total Operating Revenues	\$0	\$0	\$272,404	\$0	(\$9,587,244)	\$0	(\$9,314,840)
Operating Expenses								
4	Operation & Maintenance	\$75,402 (33-1)	\$98,001 (34-1)	\$0	\$1,298,874 (35-1)	\$0	\$0	\$1,472,277
5	Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Taxes Other Than Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	State Income Tax	(\$5,427)	(\$7,053)	\$19,605	(\$93,480)	(\$689,997)	\$0	(\$776,352)
8	Federal Income Tax:							
	Current	(\$24,491)	(\$31,832)	\$88,480	(\$421,888)	(\$3,114,036)	\$0	(\$3,503,767)
	Deferred	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	ITC Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	Total Operating Expenses	\$45,484	\$59,116	\$108,085	\$783,506	(\$3,804,033)	\$0	(\$2,807,842)
10	Net Electric Operating Income (Lns 3-11)	(\$45,484)	(\$59,116)	\$164,319	(\$783,506)	(\$5,783,211)	\$0	(\$6,506,998)
11	FUDC Offset Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Net Electric Operating Income - Adjusted	(\$45,484)	(\$59,116)	\$164,319	(\$783,506)	(\$5,783,211)	\$0	(\$6,506,998)
Rate Base								
15	Electric Plant In Service - Gross	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Accum. Prov. For Deperclation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Electric Plant in Service - Net	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Dumont Test Site	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Prepayments	\$0	\$0	\$0	\$0	\$0	\$4,083,831 (6)	\$4,083,831 (5)
21	Material & Supplies	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	Cash Working Capital	\$9,425 (33)	\$12,250 (34)	\$0	\$162,359 (35)	\$0	\$0	\$184,034 (32)
23	Construction Work In Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less:								
24	Customer Advance & Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Accumulated Deferred Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Total Rate Base	\$9,425	\$12,250	\$0	\$162,359	\$0	\$4,083,831	\$4,267,865

KPSC Case No. 2005-033
 Commission Staff 2nd Set Data Request
 Order dated November 10, 2005
 Item No. 13
 Page 9 of 36

Kentucky Power Company
Rate Case Adjustments
Test Year Twelve Months Ended 6/30/2005

Section V
Schedule 4
Page 9

Ln No	Description	Normalization of PJM Admin. Costs	0	0	0	0	0	Page Subtotal
(1)	(2)	(41)						
	<u>Operating Revenues</u>							
1	Sales of Electricity	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Other Operating Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Total Operating Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	<u>Operating Expenses</u>							
4	Operation & Maintenance	\$1,295,897	\$0	\$0	\$0	\$0	\$0	\$1,295,897
5	Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Taxes Other Than Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	State Income Tax	(\$93,266)	\$0	\$0	\$0	\$0	\$0	(\$93,266)
	Federal Income Tax:							
	Current	(\$420,921)	\$0	\$0	\$0	\$0	\$0	(\$420,921)
	Deferred	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	ITC Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total Operating Expenses	\$781,710	\$0	\$0	\$0	\$0	\$0	\$781,710
	Net Electric Operating Income (Lns 3-11)	(\$781,710)	\$0	\$0	\$0	\$0	\$0	(\$781,710)
	FUDC Offset Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Net Electric Operating Income - Adjusted	(\$781,710)	\$0	\$0	\$0	\$0	\$0	(\$781,710)
	<u>Rate Base</u>							
15	Electric Plant in Service - Gross	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Accum. Prov. For Deperclation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Electric Plant in Service - Net	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	Plant Held for Future Use	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Dumont Test Site	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Prepayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	Material & Supplies	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	Cash Working Capital	\$161,987	\$0	\$0	\$0	\$0	\$0	\$161,987
23	Construction Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	<u>Less:</u>							
24	Customer Advance & Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Accumulated Deferred Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Total Rate Base	\$161,987	\$0	\$0	\$0	\$0	\$0	\$161,987

Page 10 of 36
Item No. 13
Order dated 10/2/05
PNC
Commission Staff 2nd Set Data Request
KPSC Case No. 2005-0024

37-1

37

36

Kentucky Power Company
 Adjustment for Postage Rate
 Increase Effective January 1, 2006
 Test Year Twelve Months Ended 6/30/2005

Section V
 Workpaper S-4
 Page 1

Ln No (1)	<u>Description</u> (2)	<u>Amount</u> (3)
1	Number of Bills, Notices and Letters Mailed in Test Year	2,387,000
2	Postage Rate Increase per Mailed Item ^{1/}	<u>\$0.016</u>
3	Adjustment to O&M for Postage Increase	\$38,192
4	Allocation Factor - SPECIFIC	<u>1.000</u>
5	KPSC Jurisdictional Amount (Ln 3 x Ln 4)	<u>\$38,192</u> (12-1)

^{1/} Effective Date of Postage Increase is January 1, 2006
 Rate of Increase is 5.4%
 Current Average Postage rate is \$0.298
 Increase Cost is \$0.016

(12) =
 $38,192 / 8 = 4.774$

Witness: R. K. Wohnhas

**Kentucky Power Company
Summary of Wage Related Adjustments
Test Year Twelve Months Ended 6/30/2005**

**Section V
Workpaper S-4
Page 2**

Ln No (1)	<u>Description</u> (2)	<u>Amount</u> (3)
	<u>O&M Expenses:</u>	
1	Annualization of Wages & Salary Increase (Pg. 3, Ln 16)	\$903,899 (13A)
2	Annualization of Employee Benefit Plan Costs (Pg. 4, Ln 22)	\$322,054 (13B)
3	Annualization of Savings Plan Costs (Pg. 6 Ln 8)	<u>\$39,899 (13D)</u>
4	Adjustment to KPSC Jurisdictional Wage Related Expenses	<u>\$1,265,852 (13-1)</u>
	 <u>Taxes Other:</u>	
5	Annualization of FICA Expense (Pg. 5 Ln 16)	<u>\$67,660 (13C)</u>

$$(13) = 1,265,852 / 8 = 158,232$$

Witness: R. K. Wohnhas